



U.S. Department of Justice

Michael J. Sullivan
United States Attorney
District of Massachusetts

Main Reception: (617) 748-3100

John Joseph Moakley United States Courthouse
1 Courthouse Way
Suite 9200
Boston, Massachusetts 02210

May 16, 2008

By Mail and Fax
202-778-5281

Geoffrey Hobart, Esq.
Covington & Burling
1210 Pennsylvania Avenue, NW
Washington, DC 20004-3401

Re: Side Letter Agreement with Biovail Corporation

Dear Mr. Hobart:

This letter ("Side Letter Agreement") will confirm that, in exchange for full performance of the Plea Agreement entered into by and among the United States Attorney for the District of Massachusetts ("U.S. Attorney") and your client, Biovail Pharmaceuticals Inc. ("BPI"), a copy of which Plea Agreement is attached hereto as Exhibit One, and in exchange for certain other promises made herein between and among the U.S. Attorney and your client, Biovail Corporation (collectively, Biovail Corporation and BPI as "Biovail"), the U.S. Attorney and Biovail Corporation hereby agree as follows:

a. **No Criminal Prosecution of Biovail Corporation**

The U.S. Attorney hereby declines prosecution of Biovail Corporation for conduct by or attributable to Biovail Corporation that:

- (1) falls within the scope of the Information to which BPI is pleading guilty;
- (2) was a subject of the grand jury investigation by the U.S. Attorney in Massachusetts including allegations that Biovail directly or indirectly offered or paid remuneration, in the form of payments through a program known as the PLACE program, to customers including but not limited to physicians to induce these individuals to recommend, prescribe and/or purchase Biovail's drug Cardizem, L.A.;

The U.S. Attorney does not decline criminal prosecution of Biovail Corporation or any of

Biovail's related entities for any other conduct beyond that set forth above.

This Side Letter Agreement is not intended to and does not affect the criminal liability of any individual.

It is understood among the parties to this Side Letter Agreement that the U.S. Attorney's promise not to prosecute Biovail Corporation is dependent upon and subject to (a) BPI's fulfilling its material obligations in the Plea Agreement, (b) BPI and Biovail Corporation entering into a Civil Settlement Agreement acceptable to the Department of Justice prior to July 31, 2008, and (c) Biovail Corporation entering into a Corporate Integrity Agreement acceptable to the Office of Inspector General of the United States Department of Health and Human Services by no later than September 30, 2008. If any of these conditions are not met, Biovail Corporation agrees to waive any defenses regarding pre-indictment delay, statute of limitations, or Speedy Trial Act with respect to any and all criminal charges that could have been timely brought or pursued as of April 1, 2008.

b. Cooperation of Biovail Corporation

Biovail shall cooperate completely and truthfully in any trial or other proceeding arising out of any ongoing federal grand jury investigation of its current and former officers, agents, and employees. Biovail shall make reasonable efforts to facilitate access to, and to encourage the cooperation of, its current and former officers, agents, and employees for interviews sought by law enforcement agents, upon request and reasonable notice. Biovail shall also take reasonable measures to encourage its current and former officers, agents, and employees to testify truthfully and completely before any grand jury, and at any trial or other hearing, at which they are requested to do so by any government entity.

In addition, Biovail shall furnish to law enforcement agents, upon request, all documents and records in its possession, custody or control relating to the conduct that is within the scope of any ongoing grand jury investigation, trial or other criminal proceeding in the District of Massachusetts, and that are not covered by the attorney-client privilege or work product doctrine.

Provided, however, notwithstanding any provision of this Agreement, that: (1) Biovail is not required to request of its current or former officers, agents, or employees that they forego seeking the advice of an attorney nor that they act contrary to that advice; (2) Biovail is not required to take any action against its officers, agents, or employees for following their attorney's advice; and (3) Biovail is not required to waive any privilege or claim of work product protection except to the extent set forth in the succeeding paragraph.

Biovail specifically agrees to continue to waive and/or waive any attorney-client privilege and/or work product protections regarding the legality of the PLACE program and/or the decision to enter into, implement and/or continue the PLACE program as to any such advice or communications.

Biovail Corporation acknowledges that BPI expressly and unequivocally admits that it knowingly, intentionally and willfully committed the crime charged in the Information and is in fact guilty of that offense. Biovail Corporation agrees that it will not make statements inconsistent with this explicit admission of guilt by BPI to the crime charged in the Information.

c. Who Is Bound By Agreement

This Agreement is limited to the U.S. Attorney for the District of Massachusetts, and cannot and does not bind the Attorney General of the United States or any other federal, state or local prosecutive authorities.

d. Complete Agreement

This Side Letter Agreement and the Plea Agreement with BPI and its attachments are the complete and only agreements between the parties. No promises, agreements or conditions have been entered into other than those set forth or referred to in the above-identified documents. This agreement supersedes prior understandings, if any, of the parties, whether written or oral. This agreement cannot be modified other than in a written memorandum signed by the parties or on the record in court.


If this letter accurately reflects the agreement entered into between the U.S. Attorney and Biovail Corporation and its Board of Directors has authorized you to enter into this agreement, please sign below and return the original of this letter to Assistant U.S. Attorney Sara Miron Bloom.

Very truly yours,

MICHAEL J. SULLIVAN
United States Attorney


DIANE FRENIERE, Chief

White Collar Section
District of Massachusetts

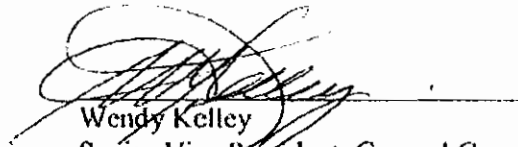

SARA MIROM BLOOM

Assistant U.S. Attorney
District of Massachusetts

NON-PROSECUTION AGREEMENT WITH BIOVAIL CORP.

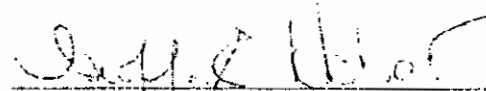
ACKNOWLEDGMENT OF AGREEMENT

The Board of Directors of Biovail Corp. has been generally advised of the Plea Agreement with Biovail Pharmaceuticals, Inc., and the criminal Information charging Biovail Pharmaceuticals, Inc. and has discussed this matter with counsel. I acknowledge that this Side Letter Agreement accurately reflects the agreement entered into between the United States Attorney's Office for the District of Massachusetts and Biovail Corp., and I am duly authorized to enter into this agreement on behalf of Biovail Corp. Biovail Corp. expects to enter into a civil settlement agreement with the United States Attorney's Office for the District of Massachusetts, the Department of Justice and the Department of Health and Human Services, Office of Inspector General. I further acknowledge that no additional promises or representations have been made to Biovail Corp. by the United States Attorney's Office for the District of Massachusetts in connection with the disposition of this matter other than as set forth in this Side Letter Agreement.



Wendy Kelley
Senior Vice President, General Counsel and
Corporate Secretary

Dated: 5/16/08



Geoffrey E. Hobart
Covington & Burling LLP
Counsel for Biovail Corp.

Dated: 5/16/08